



## PERFORMANCE HIGHLIGHTS

Secretary Norman Y. Mineta is committed to ensuring that our transportation system remains safe, secure, and efficient and that it serves as the engine that drives our Nation's economy. Because economic activity and global trade are surging under the President's policies, our roads, railways, pipelines, public transit systems, airways, and waterways are experiencing unprecedented increases in demand.

This Administration is working to ensure that our transportation system has the capacity to accommodate the needs of a growing and prosperous America. Below we present the highlights of our Fiscal Year 2004 results in our five strategic areas: safety, mobility, economic growth, environment, and security. We also present our internal organizational achievements that enhance DOT's performance as a results-driven Federal agency.

### Safety

Transportation makes possible the movement of people and goods fueling our economy and improving our quality of life. At the same time, transportation exposes us to the risk of harm. While we have made progress in making all modes of transportation safer, the Department's top priority and central focus remain improving safety. All modes of transportation have a share in achieving our strategic safety goal: *Promote public health and safety by working toward the elimination of transportation-related deaths and injuries.*



Working together to achieve our safety goal has paid off in significant results. The highway fatality rate reported in FY 2004 was the lowest since record keeping began 29 years ago. The fatality rate per 100 million vehicle miles traveled declined to 1.48, the first time below 1.50. The total number

of fatalities also declined, reversing a six year trend, to 42,643 fatalities. The number of crash-related injuries dropped to a historic low. A reduction in the large truck-involved fatality rate for the sixth consecutive year contributed to an estimated 1,291 lives saved in 2003. Safety belt use reached an historic high of 80 percent in 2004. In addition, all 50 States, the District of Columbia, and Puerto Rico have contributed to highway safety by lowering the legal threshold for impaired driving to 0.08 blood alcohol concentration.

In aviation, DOT achieved the lowest airline fatal accident rate in the history of aviation and has also had success reducing general aviation accidents and particularly accidents in Alaska, a challenging environment for airplanes. DOT reduced the number of serious runway incursions and the number of serious operational errors, where airplanes get too close to obstacles or other aircraft for the ten-month period October 2003–August 2004.

Total rail-related accidents/incidents declined 3.6 percent compared with the same period for 2002–2003; total rail-related casualties (deaths and injuries) fell 5.1 percent over 2002–2003; railroad employee casualties dropped 5.1 percent over 2002–2003; and railroad trespasser fatalities fell 2.2 percent over 2002–2003.

Safety improved in transit as well. In FY 2004, transit fatalities dropped from 0.473 to 0.359 per 100 million passenger miles traveled. Through capital investment programs, older bus and rail vehicles were replaced with newer, safer vehicles and improvements were made in track and transit facility conditions.

In pipeline safety, DOT is implementing a Final Rule on Pipeline Integrity Management for Gas Pipelines in High Consequence Areas. This rule requires operators of natural gas pipelines to conduct accelerated testing, repair and reporting on the integrity of their pipelines where a failure would have the highest impact. DOT completed inspections of all large hazardous liquid pipelines using the new higher integrity management standards and observed operators repairing over 20,000 defects.

In maritime safety, ocean carriers using the St. Lawrence Seaway saved more than \$500,000 in operating costs during the FY 2004 season largely because DOT met its performance goal of conducting safety inspections of 100 percent of all ocean vessels in Montreal (208 total inspections).



DOT's impressive safety performance results from targeting unsafe practices for improvement, partnering with an ever-widening group of stakeholders to leverage our resources, and fostering the use of Web-enabled and other technologies to achieve safer transportation.

### **Mobility and Economic Growth**

Historically, the mobility that transportation provides has helped define us as a people and as a

Nation. Our ability to travel from place to place allows us to connect with other people, work, school, and marketplaces throughout the United States and around the world. In partnerships with the States and private transportation providers, we have made continuous improvements in mobility as stated in our strategic goal: *Shape an accessible, affordable, reliable transportation system for all people, goods, and regions*. Highlights of our results are presented below.

To provide a statistical framework for analyzing mobility in the United States, DOT launched a new economic indicator, the Transportation Services Index. This Index measures monthly changes in the freight and passenger travel output of services provided by transportation industries, including railroad, air, truck, and inland waterways transportation, pipeline transportation, and local mass transit.

As commercial and general aviation climb back to pre-9/11 levels, DOT has taken several significant actions to address capacity issues. DOT implemented the Growth Without Gridlock program to reduce delays and congestion; moving away from the first-come-first-served model of air traffic to issuing revised flight plans or rerouting some aircraft away from problem areas. DOT began imposing minor delays on the ground to avert massive delays across the Nation, a concept called delay triggering and implemented the Reduced Vertical Separation Minimum. This will significantly increase the routes and altitudes available to aircraft, saving time and fuel.

Continuing to deregulate where appropriate, DOT published its final rule on computer reservations systems ending twenty years of Federal regulation on the grounds that the U.S. airlines no longer control any system and that the Internet has given airlines and travel agents alternative sources of information and booking capabilities.

Mobility and accessible transportation go hand in hand. As baby boomers age, we must take steps now to ensure their mobility and access to transportation. Therefore, it is significant that DOT met the bus performance target for compliance with

the Americans with Disabilities Act (ADA). The bus fleet continues to become more accessible as older vehicles are replaced with those that are lift-equipped or have low floors.

DOT also met the performance target for employment sites made accessible by Job Access and Reverse Commute (JARC) transportation services. This program successfully meets the transportation needs of low-income individuals seeking transportation to jobs and community services. In each community that received a grant, JARC transportation services have reached new employment sites, making jobs, employers, job training, and child care accessible for the program's target populations.

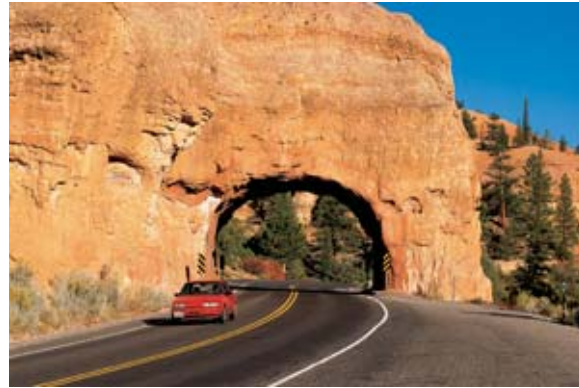
Supporting economic growth is a fundamental purpose of our transportation network. Transportation facilitates distribution and creates economic value for the producer. Our strategic goal, *support a transportation system that sustains America's economic growth*, concerns the efficiency of transportation, an important part of our competitive edge in global trade.

DOT negotiated several agreements which opened international air travel to market forces meeting our performance target to provide competitive air service to 63.1 million passengers.

DOT initiated a landmark aviation agreement with China that will greatly expand opportunities for U.S.–China air services over a six-year period. The agreement allows nearly a five-fold increase in the number of weekly flights that may be operated and permits each country to name five more airlines to enter the market over the next six years. The agreement also expands route opportunities, permits virtually unlimited rights at cargo hub points established after 2007, and opens new opportunities for code sharing and charters.

The first comprehensive bilateral aviation agreement with Vietnam affords carriers of each Nation significant opportunities to begin direct services for the first time. Under the agreement, United Airlines intends to begin passenger service

to Vietnam later this year over a San Francisco–Hong Kong–Ho Chi Minh City routing.



To improve the capability of the Nation's transportation system to move current and future levels of freight traffic safely and efficiently, DOT implemented a National Freight Action Agenda containing far-reaching provisions. For example, a Freight Analysis Framework was used to develop the freight-related portions of proposed Safe, Accountable, Flexible, and Efficient Transportation Equity Act (SAFETEA) legislation and to explore options to re-route traffic on the transportation network in the event of the loss of major transportation infrastructure; a Freight Professional Development program was established consisting of training, technical assistance tools, university-based programs, and a freight resource library; and DOT began outreach to publicize this effort and to inform stakeholders on the progress of the Administration's freight programs.

In maritime navigation, DOT reported that the maximum allowable draft in the Welland Canal portion of the St. Lawrence Seaway increased to 26 feet and six inches in the 2004 navigation season for all inland vessels and ocean vessels equipped with bow thrusters. This depth was effective from Lake Ontario to Montreal. Each additional inch of sailing draft allows vessels to carry, on average, an additional 100 metric tons of cargo increasing the efficiency of the Seaway. The St. Lawrence Seaway Development Corporation met its performance target of 99 percent of days in the shipping season the U.S. portion of the Seaway is available.

Work continued to improve the pavement condition on the Nation's highways. The goal is to reach a target of 95 percent of vehicle miles traveled on NHS pavements with an acceptable ride quality by 2008. The projected value for 2004 was 90.8 percent, primarily because a small number of states with significant total vehicles-miles travel (VMT) continue to report deteriorating pavement conditions. The travel on the NHS on facilities rated in good condition continues to show steady improvement also.

The percent of travel Nation-wide that is under congested conditions was 30.8 percent in CY 2003 and is projected to be 30.9 percent in CY 2004. The CY 2003 result was only 0.3 percent higher than in CY 2002 and below the anticipated increase for the second straight year. The results for the CY 2002–2003 period suggest that the overall rate of growth in traffic congestion Nation-wide is slowing, and is much less than recently projected annual increases.



## Environment

While transportation ties us together as a Nation, it can also produce unwanted side effects such as air and water pollution, the loss of ecosystems and disruption of communities. Americans want solutions to transportation problems that are consistent with sound environmental planning. DOT is committed to avoiding or mitigating the adverse environmental effects that can accompany transportation as stated in our strategic goal: *Protect and enhance communities and the natural environment affected by transportation.* Highlights of our results in the environmental area follow.

The establishment of Executive Order (EO) 13274: Environmental Stewardship and Transportation Infrastructure Project Reviews, signed on September 18, 2002 by President George W. Bush, advanced DOT's commitment to enhancing the nation's transportation infrastructure while remaining good stewards of the environment. Secretary Norman Y. Mineta designated thirteen projects as priorities to receive accelerated environmental review this past year. One project designated was the post-9/11 transit recovery projects in Lower Manhattan.

As the lead agency, DOT is using an environmental management strategy to ensure environmental stewardship, while streamlining environmental reviews. Local sponsors have agreed to use uniform approaches for evaluating environmental effects and to use environmentally friendly design elements, construction techniques, and operating procedures to lower adverse environmental impacts.

Once again, DOT exceeded its target of protecting at least 1.5 acres of wetlands for every acre affected by Federal-aid highway projects with a ratio of 2.1 to 1 in FY 2004. Federal-aid projects Nation-wide provided 1,761 acres of compensatory mitigation. A leader in expanding the use of wetland banking and sponsoring wetland research, DOT is proud of its seven year track record of exceeding the target. In a demonstration of commitment to environmental stewardship and ecosystem conservation, DOT recognized seven new Exemplary Ecosystem Initiatives exceeding its target of designating two additional projects in the year.

During FY 2004, on average, a high percentage of nonattainment and maintenance areas met their emissions budget goals and the transportation emissions conformity requirements of the Clean Air Act. The average number of areas in a conformity lapse at any given time was at or below six out of a total of approximately 130 designated areas, or less than five percent of the total.

DOT achieved a 14 percent decrease in the number of people exposed to significant aviation noise



from the FY 2000–2002 average. DOT removed 15 obsolete ships that posed potential environmental hazards at its three fleet sites.

### Security

President Bush has directed DOT and the Department of Homeland Security to work together to design a world-class transportation security system that will prevent terrorists from ever again using transportation as a weapon against us. Our transportation system must also remain a vital link for mobilizing our armed forces for military contingencies and for supporting civilian emergency response. Examples of our achievements under our strategic goal, *ensure the security of the transportation system for the movement of people and goods, and support the National Security Strategy*, are described below.

DOT has certified and accredited over 96 percent of its information technology (IT) systems and plans to complete these activities for the remaining four percent in FY 2005. This provides management with an acceptable level of assurance that all systems either meet a minimum level of baseline requirements or have plans of action and milestones to mitigate any remaining risks. A continuous vulnerability scanning program has been implemented Department-wide.

DOT provided sealift capacity to the Department of Defense (DoD) in support of Operation Iraqi Freedom (OIF), the redeployment phase of the war using 21 Ready Reserve Force (RRF) vessels.

DOT managed port security training for over 200 port personnel throughout the Western Hemisphere through the DOT/Organization of American States sponsored port security training program. DOT also achieved a performance target of 94 percent availability for DoD-required shipping capacity and 93 percent availability among strategic ports, a seven percent increase in port availability over last year's performance. The port is expected to be able

to make its facilities available to the military within 48 hours of notification.



### Organizational Excellence

Secretary Norman Y. Mineta understands that a culture of foresight and continuous improvement is essential in our ability to achieve our strategic goals. We have put this into practice as evidenced by DOT's achieving first place among 24 Federal agencies in terms of having the highest President's Management Agenda (PMA) rating (DOT was the only agency that achieved four greens on the PMA Scorecard). Similarly, DOT's *Performance and Accountability Report* for FY 2003 achieved a tie with the Department of Labor for first place as the best in government, according to an independent assessment.

DOT's Inspector General released the annual report on the Department's consolidated financial statements, for which we were issued an unqualified or clean audit opinion for the fourth consecutive year. Consolidated financial statements show how the Department is accountable for its total budgetary resources of \$128 billion provided by American taxpayers for Federal transportation activities. Individual audits were also conducted for the FAA and the Highway Trust Fund, which both received unqualified opinions.

DOT secured enactment of *Vision 100*, the four-year reauthorization of the FAA. Key provisions include:

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- A pilot project to allow FAA to work collaboratively with the airlines to reduce delays at the most congested U.S. airports;
- Environmental streamlining to address capacity and improve interagency coordination;
- Endorsement of FAA's Joint Planning and Development Office to develop a long term National plan for aviation; and
- Provisions to streamline the passenger facility fee program and provide additional flexibilities for smaller airports.

DOT began using a quantitative risk assessment tool to ensure that New Starts transit projects meet

cost, schedule and transportation benefit expectations. This tool tracks the success of mitigation measures and assesses trends with respect to project execution, so that any necessary intervention measures can be taken as early as possible.

DOT issued guidance for required financial plans for mega-projects, which are projects at the \$1.0 billion dollar and larger level. DOT requires annual updates to track significant cost and schedule deviations from the initial financial plan, and mitigating actions taken to adjust for those deviations. DOT approves the financial plans or their annual updates for all mega-projects.

## **DOT FIVE-YEAR FINANCIAL MANAGEMENT PLAN FOR FY 2005–2009**

DOT's Five-Year Financial Management Plan for FY 2005–2009 discusses DOT's vision for improving financial management, improvements in DOT's financial affairs in FY 2004, and goals for improving financial management in DOT during 2005–2009. Specific implementation strategies for these efforts are provided in the full text of the DOT Five-Year Financial Management Plan 2005–2009 residing in the DOT Office of Financial Management.

### **DOT Vision for Improving Financial Management**

The DOT vision for improving financial management is to develop and implement best practices in financial management for our internal and external customers and stakeholders and to achieve the goals of the President's Management Agenda. We will provide DOT managers with a Dashboard of easy to access financial information and program performance metrics for day-to-day decision-making, integrate budget and performance information, consolidate and integrate financial systems, and keep the public informed via the Chief Financial Officer's Web page at <http://www.dot.gov/cfo/budgperf.htm>.

Based on DOT's experience in implementing a new, state-of-the-art, commercial off-the-shelf financial management system (using Oracle Federal Financials), DOT will compete to be designated by the Office of Management and Budget (OMB) as a Center of Excellence for Financial Management, Grants Management and Human Resources under OMB's Lines of Business (LOB) Initiative.

Key elements of DOT's vision for financial management include: disseminating accurate, timely, and useful information and reports; developing and implementing the Delphi Dashboard to provide DOT managers with financial and performance information for day-to-day decision-making; replacing expensive legacy financial systems with modern cost-effective systems; consolidating, integrating or interfacing all financial and financial-related systems and avoiding duplicate or manual data entry; consolidating financial functions and accounting

operations; and reducing the costs of financial operations and systems.

### **Budget and Performance Integration**

Integrating budget and performance information ensures that senior DOT decision makers have the information to decide where to use their resources most efficiently and effectively. Ensuring that resources are used properly and accounted for, consistent with sound financial management principles, is critical to meeting performance goals. At DOT, we recognize that performance budgeting is the first step to improved performance, but actual performance achievement also depends on maintaining proper internal controls and solid financial management systems that provide accurate and timely data. Recent improvements to our financial systems now enable DOT to provide improved cost accounting models and accountability tools that provide reliable data for monitoring performance.

### **Performance Measures**

Key elements of this effort include implementing managerial cost accounting across all OAs; strengthening the relationship between the marginal cost of performance, managerial cost accounting, and related financial management initiatives; and enhancing the ability to roll up cost and performance information Department-wide for presentation in the annual Performance and Accountability Report and budget justifications.

### **Improvements in DOT Financial Management in FY 2004**

DOT significantly improved its financial management programs and systems during FY 2004. Major accomplishments in the area of

financial statements and audits include receiving unqualified audit opinions on the DOT financial audits for FY 2003 and FY 2004 (DOT also received clean opinions for FY 2002 and FY 2001) and resolving two of the material weaknesses identified in the FY 2003 audit.

### **Financial Management Systems Framework and Infrastructure**

In the area of financial management policies, procedures and performance metrics, DOT has developed, updated, and issued comprehensive Financial Management Policies, and tracked and reported monthly to OMB on DOT's progress on the financial performance indicators identified by OMB.

DOT began improvements in the management of reimbursable agreements and intragovernmental eliminations throughout the Department, including developing and implementing a Web Portal for the OAs to exchange information about reimbursable agreements to support eliminations within DOT.

The Department developed plans for and began centralizing DOT Accounting Operations at the FAA Aeronautical Center in Oklahoma City for all remaining OAs, including supporting FAA in centralizing their own nine accounting offices to Oklahoma City. It also developed and began implementing new Chief Financial Officer (CFO) structures and positions within the remaining OAs.

In the area of financial systems, DOT completed implementing the Department-wide Delphi financial management system in November 2003. DOT is the first Cabinet-level agency to have all its OAs converted from a legacy accounting system to a new, state-of-the-art, Web-enabled, Treasury-compliant, commercial off the shelf financial management system running on a single instance of the software.

The Department successfully marketed Delphi to the National Endowment for the Arts and worked with them to set up and configure their accounting system in Delphi, which they will start using in October 2005; upgraded Delphi to the newest release of the Oracle Federal Financials application

software (release 11.5.9) in May 2004 and upgraded the back-end database to the Oracle 9i database in August 2004; launched a pilot program using Oracle Daily Business Intelligence (DBI), Oracle Balanced Scorecard, and Oracle Web Portal to present key financial information and performance metrics to DOT managers for day-to-day decision-making; developed, tested, validated and implemented a new Financial Statement Solution (FSS) in Delphi that produces financial statements directly from the core financial system; and reduced the time required for the Delphi month-end close process from three days to overnight.

In addition, DOT expanded to additional OAs the use of the Invoice Imaging and Workflow system based on MarkView software from 170 Systems, Inc., which is tightly integrated with Delphi, and completed implementation of managerial cost accounting for the Office of the Secretary of Transportation's (OST) Working Capital Fund (WCF), including costing and automated billing for reimbursable services.

DOT implemented Phase One of the Consolidated Automated System for Time and Labor Entry (CASTLE), which provides easy to use Web-enabled Time and Attendance (T&A) data entry. With the implementation of Phase Two in FY 2005, CASTLE will also provide for entry of labor distribution information on the same screen as the T&A data. CASTLE will be interfaced with Delphi in support of managerial cost accounting.

DOT continues to work to replace DOT's payroll and HR systems with the Federal Personnel and Payroll System (FPPS) of the Department of Interior's National Business Center in Denver, Colorado, as mandated by OMB under the e-Payroll initiative.

The Department completed implementation of the Purchase Request Information System (PRISM) procurement management system in FAA that is integrated with the Delphi financial management system.



In its travel management, DOT reduced its travel credit card delinquency rate from 13 percent to one percent in FY 2004, and worked with GSA to select a new e-Travel system for DOT and government-wide, including hosting both the pilot testing and the Independent Validation and Verification (IV&V) at DOT for all three systems awarded by GSA. DOT has selected GovTrip, Northrop Grumman's e-Travel Service, and started implementation throughout the Department.

### **Future Initiatives and Goals for Improving DOT Financial Management**

DOT will complete its work towards consolidating and integrating its financial and financial-related systems to enhance performance and eliminate redundant systems. This ongoing effort, assigned to the DOT CFO by the DOT Investment Review Board (IRB) under the guidance of the DOT Chief Information Officer (CIO) addresses grants management, travel, procurement management, payment, credit card management, time and attendance and labor distribution reporting, accounting, budget, property management/inventory, and financial information reporting.

DOT's goal is to have a single commercially-supported procurement management system (or at most two) integrated with Delphi (Oracle Federal Financials). The integration with Delphi is critical to ensure data integrity, to eliminate duplicate manual data entry, to facilitate reengineering and streamlining DOT business processes, to avoid unnecessary data reconciliations, and to support the full implementation of managerial cost accounting throughout all DOT organizations. This integration will also further enable DOT to eliminate redundant systems.

### **Improved Electronic Reporting**

DOT plans to continue to improve financial management reporting through greater use of the Delphi data warehouse and by expanding the use of Daily Business Intelligence, Balanced Scorecard,

and Web Portal to present financial and performance information to all organizations, programs, and managers throughout DOT on the Delphi Dashboard.

DOT will conduct a series of coordinated reviews to enhance financial business processes and systems (including conduct a functional review of Delphi and implement system and business process improvements), continue to streamline and re-engineer accounting and financial management business processes throughout DOT, and complete a series of internal control reviews for DOT accounting and financial management systems and operations.

### **Consolidation of Resources**

Other major initiatives for the Department for the next few years include completing migration of DOT's payroll and human resources functions and systems to the Department of Interior's system; completing implementation of a labor distribution system within DOT in support of managerial cost accounting; continual review and improvement of the reimbursable agreement management process in support of intergovernmental eliminations; development and implementation of an innovative Improper Payment research initiative to test an approach for satisfying the requirements of the Improper Payments Information Act (IPIA); expansion of managerial cost accounting throughout the Department; expanding the use of Electronic Data Interchange (EDI) for vendor information; complete implementation of the new GovTrip travel management and reservation system throughout DOT; and the implementation of a new purchase credit card for DOT interfaced with Delphi in support of improving financial management controls on purchase credit cards. Specific implementation strategies for these efforts are provided in the full text of the DOT Five-Year Financial Management Plan.